responsible progressive accountable

QUARTERLY REPORT

For the quarter ended March 31, 2006

FINANCIAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2006 (unaudited)

In the fourth quarter, the total Payment to Province was $38.8 million, which is $3.7 million lower than the prior year primarily due to decreases in the Video and Ticket Lottery business lines.

The Video and Ticket Lottery business lines accounted for $34.9 million of the Payment to Province, which is $5.5 million lower than the previous year. This was primarily due to lower revenues in the Video Lottery business as a result of Gaming Strategy initiatives, and higher prize expenses in Ticket Lottery.

The Halifax Casino Payment to Province was $4.5 million, $1.0 million higher than the previous year. The Halifax Casino experienced higher revenues and lower expenses that are allocated to NSGC compared to the prior year as a result of the new Casino Operating Contract.

The Sydney Casino Payment to Province was $2.0 million, $1.2 million higher than the previous year also due to an increase in revenues and lower expenses that are allocated to NSGC as a result of the new Casino Operating Contract.

Responsible gambling costs were $1.3 million, $0.5 million more than the prior year because of an increased number of initiatives launched and implemented this period.

Win tax of $3.9 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

In addition to corporate initiatives aimed at promoting the responsible use of its products, the Nova Scotia Gaming Corporation also made financial contributions to assist in the research and treatment of problem gambling. Funding to the Nova Scotia Gaming Foundation is lower in 2006 due to a reduction in the commission rates paid to VL retailers, the basis from which this funding is paid. Furthermore, decreased VLT revenue in the quarter as a result of the Gaming Strategy initiatives also contributed to the lower funding level.

The following highlights the responsible gambling contributions:

	Quarter ended March 31, 2006	**Quarter ended March 31, 2005**
Nova Scotia Gaming Foundation		
Video Lottery Retailers	$ 87,400	$103,300
Nova Scotia Gaming Corp.	87,400	103,300
	174,800	206,600
Responsible Gambling Operations	828,900	424,400
Contribution to Department of Health Promotion and Protection	1,000,000	250,000
Total Contributions	**$2,003,700**	**$881,000**

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2006 (unaudited)

In the fourth quarter, there was significant activity in the casino business line due to the implementation of the Capital Improvement Plan, including the following: slot machine upgrades with Ticket-in Ticket-out (TITO) technology; the introduction of multi-denominational slots; the addition of new games; the opening of the Halifax Poker Room on February 17, 2006, increase in the number of tables from six to eight; and, the addition of two poker tables in Sydney. A new 24-hour coffee shop (Java Jazz) was also constructed in the Halifax Casino. Renovations to the gaming floor also began including new carpet and paint throughout the Casino. Two poker tournaments were held in Halifax in the fourth quarter, including the Jack and Jill (February 11) and the Going for Gold (February 25) tournaments.

In January 2006, NSGC launched a Linked Bingo pilot project in 16 bingo halls and 29 charities across the province. Linked Bingo enables charitable organizations to offer larger bingo jackpots which increase the appeal of bingo, the proceeds of which are used by the charities to fund their projects and good works. The pilot will be evaluated in spring 2006 and the decision as to whether to implement Linked Bingo across the province will be made in the summer of 2006. In addition, Bucko, a new $1 daily ticket lottery online game, was launched in February as part of ALC's product development efforts within the Ticket Lottery business.

NSGC continued its commitment to responsible gambling initiatives in the fourth quarter. In January 2006, NSGC launched the *friends4friends* social marketing campaign through print, online, television and theatre advertising. The awareness campaign worked to educate young adults about the risks of gambling, where to get help, and how to talk to a friend about a potential gambling problem. The post-secondary awareness and education program, *Know the Score*, continued to reach young adults between the ages of 19 and 24. The program visited fourteen colleges and universities, reaching more than 3,700 students in the quarter. NSGC also sponsored the Nova Scotia production of *Caught in the Game*, a drama designed to increase high school students' awareness of problem gambling. Delivery of this drama is planned for the first quarter of 2006-07.

The final two VLT-related Gaming Strategy initiatives, the disabling of the "stop button" feature and reduction in speed of play by 30% on all VLTs, were completed during the fourth quarter. There were also new game software upgrades. A new Video Lottery Central System was implemented, resulting in increased operational efficiencies, enhanced reporting and information tracking, and security improvements.

Stage III of the Responsible Gaming Device (RGD) Research Project was completed at the end of March 2006. This was a six-month field trial that involved testing the RGD on all VLTs in the Windsor/Mount Uniacke area. All players were issued personal player cards, and although use of the RGD features remained voluntary, players were required to use these cards to play VLTs. The purpose of Stage III was to collect data and information to assess behavior, awareness and attitudes on the use of such a system, and to determine whether the features would encourage responsible play. The results from the field trial will be evaluated and a decision on next steps made in the summer 2006.

BALANCE SHEET

As at March 31, 2006 (unaudited)
(in thousands)

ASSETS

	2006	2005
Current		
Cash and Short-term Investments	$ 10,852	$ 14,088
Cash – restricted	2,636	2,193
Inventory, at cost	1,727	1,662
Prepaids	292	809
	15,507	18,752
Long-term		
Cash – Casino Capital Replacement Reserve	1,453	3,145
Deferred charges	204	349
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	103,673	112,118
	105,332	115,614
	$120,839	$134,366

LIABILITIES

Current		
Accounts payable	$ 2,105	$ 1,420
Deferred lottery revenue	486	404
Liabilities for unclaimed prizes	2,636	2,193
Capital obligation – current portion	15,544	37,924
Due to operators	5,681	8,250
Due to Atlantic Gaming Equipment Limited – current portion	12,515	16,473
Due to Nova Scotia Gaming Foundation	59	72
Due to Province of Nova Scotia	42,870	31,954
	81,896	98,690
Long-term		
Due to Atlantic Gaming Equipment Limited	7,043	12,886
Capital obligation	23,281	14,218
	30,324	27,104

EQUITY

Casino Capital Replacement Reserve	8,619	8,572
	$120,839	$134,366

Statement of Income and Payment to Province

For the Fourth Quarter Ended March 31, 2006 (unaudited)
(in thousands)

	2006								2005							
	LOTTERIES		CASINOS		RES. GAMBLING	OTHER	TOTAL		LOTTERIES		CASINOS		RES. GAMBLING	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			4th Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			4th Qtr	Year to date
Revenues	$55,167	$40,224	$16,931	$5,184	$ -	$ 422	$117,928	$489,195	$51,570	$46,938	$16,138	$ 4,222	$ -	$ 52	$118,920	$495,379
Expenses	46,462	14,007	15,401	4,084	1,254	1,776	82,984	332,144	42,514	15,608	15,535	4,186	881	1,354	80,078	325,076
Net Income	8,705	26,217	1,530	1,100	(1,254)	(1,354)	34,944	157,051	9,056	31,330	603	36	(881)	(1,302)	38,842	170,303
Win Tax	-	-	2,974	928	-	-	3,902	17,077	-	-	2,912	771	-	-	3,683	16,999
Payment to Province	$ 8,705	$26,217	$ 4,504	$2,028	$ (1,254)	$(1,354)	$ 38,846	$174,128	$ 9,056	$31,330	$ 3,515	$ 807	$(881)	$(1,302)	$ 42,525	$187,302

Statement of Retained Earnings

For the Fourth Quarter Ended March 31, 2006 (unaudited)
(in thousands)

	2006		2005	
	4th QUARTER	YEAR TO DATE	4th QUARTER	YEAR TO DATE
Retained earnings, beginning of period	$ 122,107	$ -	$ 131,461	$ -
Net income	34,944	157,051	38,842	170,303
Net income paid to Province	(157,051)	(157,051)	(170,303)	(170,303)
Retained earnings, end of period	$ -	$ -	$ -	$ -

STATEMENT OF CASH FLOW

For the fourth quarter ended
March 31, 2006 (unaudited)
(in thousands)

	2006	2005
Operating		
Net income	$ 34,944	$ 38,842
Allocation of income to Province	(34,944)	(38,842)
Amortization	9,240	5,028
Net changes in working capital	(3,332)	(360)
	5,908	4,668
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(99)	(1,256)
Reduction of capital obligation	(2,684)	(1,971)
	(2,783)	(3,227)
Investing		
Purchases of capital assets	(12,566)	(2,381)
Decrease in Casino Capital Replacement Reserve, net of cash	416	203
	(12,150)	(2,178)
Net increase in cash & cash equivalents	(9,025)	(737)
Cash, beginning of quarter	19,877	14,825
Cash, end of quarter	$ 10,852	$14,088

CERTIFICATION

For the fourth quarter ended
March 31, 2006 (unaudited)

I have evaluated the effectiveness of NSGC's disclosure controls and procedures as of the end of the period covered by the Quarterly Report and conclude that such disclosure controls and procedures have been effective.

Marie T. Mullally, C.A.
President & CEO

Robert MacKinnon, C.A.
Director, Corporate Services